

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

\_\_\_\_\_) )  
IN THE MATTER OF: WILLIAM JOHN NASGOVITZ) )  
\_\_\_\_\_) )

FILE NO. 0800264

**NOTICE OF HEARING**

**TO THE RESPONDENT:** William John Nasgovitz  
(CRD#: 344990)  
4470 North Lake Drive  
Milwaukee, Wisconsin 53211

c/o Alps Distributors, INC  
789 N. Water Street  
Suite 500  
Milwaukee, Wisconsin 53202

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 28<sup>th</sup> day of August, 2008 at the hour of 10:00 a.m. or as soon as possible thereafter, before James Kopecky, Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking William John Nasgovitz's (the "Respondent ") registration as a salesperson in the State of Illinois pursuant to Section 8.E(1)(k) of the Act and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Illinois Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act from August 2, 2007 to the present.
2. That on January 25, 2008 the Securities and Exchange Commission (SEC) entered an Order instituting administrative and Cease-and-Desist File No. 3-12936 which sanctioned the Respondent as follows:

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- a. Respondent and Heartland Advisors cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act.
  - b. Respondent and Heartland Advisors cease and desist from committing or causing any violations and any future violations of Section 34(b) of the Investment Company Act.
  - c. Heartland Advisors cease and desist from committing or causing any violations and any future violations of Rule 22(c)-1(a) promulgated under the Investment Company Act.
  - d. Heartland Advisors cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act.
  - e. Respondent cease and desist from causing any violations and any future violations of Section 206(2) of the Advisers Act.
  - f. Heartland Advisors and Respondent are censured.
3. Respondents/ Background
- a. Respondent, of Milwaukee, Wisconsin, is the President, Chief Executive Officer and Chief Investment Officer of Heartland Advisors, and the President and a Director of Heartland Group. Respondent is the majority owner of the holding company that owns Heartland Advisors.
  - b. Heartland Advisors was founded in 1982 and maintains its principal place of business in Milwaukee Wisconsin. During the events relevant to this proceeding, Heartland Advisors was registered with the Commission as an investment adviser and broker-dealer. Heartland Advisors managed the mutual fund portfolio series of Heartland Group, Inc. ("Heartland Group"), a registered investment company, subject to the authority of, and supervision by, Heartland Group's Board of Directors, and served as the principal underwriter of Heartland Group's securities. Heartland Advisors managed Heartland Group's High-Yield Municipal Bond Fund and Heartland Group's Short Duration High-Yield Municipal Fund (collectively, the "Funds") until the Commission obtained an order placing the Funds into receivership in March 2001.
4. That the SEC found in pertinent part:

**Overview/ Facts**

- a. This matter stems from Heartland Advisors' mispricing of certain bonds owned by the Funds and its failure to effectively communicate to the Heartland Group's Board of Directors ("Directors"), and to investors, important facts concerning Heartland Advisors' efforts to evaluate bond issuers.
- b. From March 1, 2000 into October 2000, the Funds' portfolios included several municipal bonds that were valued by the Funds at prices above their fair values. As a result, on numerous days throughout that time period, the Funds' Net Asset Values ("NAVs") were incorrect, the Funds' shares were incorrectly priced, and investors purchased and redeemed Fund shares at prices that benefited redeeming investors at the expense of remaining and new investors.
- c. During the relevant period, information was presented to the Directors, which should have alerted the Directors that the bonds were becoming increasingly illiquid and may have been mispriced. As a result, the Directors should have known that the prices at which the Funds carried their bonds did not reflect the bonds' "fair value" as required by Heartland Group's pricing procedures.
- d. Heartland Advisors was forced on October 13, 2000 to devalue the bonds, thereby resulting in approximately \$60 million in monetary losses to shareholders.

**Findings of Law**

- e. Respondent and Heartland Advisors, violated Sections 17(a)(2) and 17(a)(3) of the Securities Act;
  - f. Respondent and Heartland Advisors, violated Section 34(b) of the Investment Company Act;
  - g. Heartland Advisors violated Section 206(2) of the Advisers Act, and Respondent was a cause of Heartland Advisors' violation of Section 206(2) of the Advisers Act.
5. That Section 8.E(1)(k) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has had an order entered against it after notice and opportunity for hearing by a securities agency of any state, any foreign government or agency thereof, the Securities and Exchange Commission, or the Federal Commodities Futures Trading Commission arising from any fraudulent or

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deceptive act or a practice in violation of any statute, rule, regulation administered or promulgated by the agency or commission.

6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Sections 8.E(1)(k) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A link of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice. <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 14<sup>th</sup> day of July 2008.

  
JESSE WHITE  
Secretary of State  
State of Illinois

Attorneys for the Secretary of State:

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Illinois Securities Department  
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Hearing Officer:  
James Kopecky  
190 S. LaSalle Street, Suite 850-A  
Chicago, Illinois 60603